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E.O. 11652: N/A

TAGS: UNCTAD

SUBJ: UNCTAD: FIRST PREPARATORY MEETING ON A COMMON FUND

REF: GENEVA 9508, 9560 AND 9561

1. SUMMARY: FIRST COMMON FUND PREPARATORY MEETING ENDED SATURDAY EVENING DECEMBER 4, WITH ROUTINE APPROVAL OF REPORT WITHOUT ANY ATTEMPT BY G-77 TO PRESS FOR BINDING COMMITMENTS OR SPECIFIC ACTIONS BY THE MEETING. FINAL THREE DAYS OF MEETING SPENT ON OBJECTIVES AND POSSIBLE ELEMENTS OF A COMMON FUND. G-77 VIEWS AS ELABORATED CLOSELY TRACKED COMMENTS EARLIER IN THE MEETING BY UNCTAD SECRETARIAT AND THE G-77 IN THEIR OPENING STATEMENTS. GROUP B CONCENTRATED ON RAISING SPECIFIC TECHNICAL QUESTIONS ABOUT THE UNCTAD PROPOSAL AND SUGGESTED POSSIBLE ALTERNATIVE APPROACHES TO IT. U.S. DID NOT INTERVENE IN DEBATE AFTER ITS OPENING STATEMENT (REFTEL).

2. THE G-77 REFUSED TO BE DRAWN INTO A DISCUSSION OF DETAILS OR TO ALLOW THE UNCTAD SECRETARIAT ANSWER QUESTIONS ABOUT THEM. THE G-77 ALSO REFUSED TO PERMIT UNCTAD TO PREPARE WORK ON ALTERNATIVE APPROACHES FOR JANUARY CF PREPARATORY MEETING. THERE IS AN UNDERSTANDING, HOWEVER, THAT SECRETARIAT WILL ISSUE BEFORE THE NEXT MEETING IN

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JANUARY MANY OF ITS ALREADY COMPLETED STUDIES ON ASPECTS

OF THE COMMON FUND INCLUDING ITS REVISED ESTIMATES ON FINANCIAL REQUIREMENTS FOR STOCKING OF INDIVIDUAL COMMODITIES. A CRITICAL QUESTION FOR THE U.S. IN THE NEXT FOUR MONTHS WILL BE THE DEGREE OF COORDINATION OF ITS VIEWS WITH OTHER COUNTRIES. END SUMMARY.

3. GROUP B AND G-77 DISCUSSIONS CENTERED AROUND OBJECTIVES, FINANCING NEEDS, SOURCES OF FINANCES, MODE OF OPERATIONS, AND DECISION-MAKING AND FUND MANAGEMENT OF A COMMON FUND. G-77 COMMENTS LARGELY REPEATED THOSE MADE EARLIER BY THE UNCTAD SECRETARIAT AND ITS SPOKESMAN IN HIS OPENING STATEMENT NOVEMBER 30.

4. GROUP B (BARRASS) RAISED A NUMBER OF QUESTIONS CONCERNING THE UNCTAD SECRETARIAT PROPOSAL. THESE INCLUDED WHICH COMMODITIES IT CONSIDERS STOCKABLE, THE INDIVIDUAL FINANCING REQUIREMENTS, AND THE EXTENT OF OFFSETTING COSTS GAINED THROUGH A COMMON FUND. UNCTAD SECRETARIAT (CHIDZERO), UNDER STRONG PRESSURE FROM G-77, REFUSED TO GIVE ANSWERS TO THESE QUESTIONS. HE SAID THAT FIGURES WERE AVAILABLE IF MEETING WISHED TO DISCUSS THEM, BUT THAT DISCUSSION COULD BECOME TOO TECHNICAL AND TIME-CONSUMING. IT WAS LATER AGREED HE WOULD PROVIDE ALREADY PREPARED UNCTAD REPORTS ON THESE AND OTHER ASPECTS OF CF BEFORE NEXT SESSION OF PREPARATORY MEETING IN JANUARY.

5. GROUP B SPOKESMAN ALSO EMPHASIZED STRONGLY THAT OTHER OPTIONS ON A CF NEEDED TO BE EXPLORED. HE SUGGESTED AS ALTERNATIVES TO THE UNCTAD G-77 PROPOSALS THAT THE UNCTAD SECRETARIAT PREPARE STUDIES ON THE CONCEPTS OF 1) A CLEARING HOUSE (EXISTING BUFFER STOCK ORGANIZATIONS LENDING TO EACH OTHER), 2) POOLING OF FUNDS, AND 3) POOLING PLUS SUPPLEMENTARY CONTRIBUTIONS BY A COMMON FUND; EACH OF THESE OPTIONS COULD BE CONSIDERED IN CONNECTION WITH MANDATORY CONSUMER/PRODUCER CONTRIBUTIONS FOR INDIVIDUAL STOCKING ARRANGEMENTS. IN EVALUATING OPTIONS, BARRASS STRESSED CERTAIN PRINCIPLES SHOULD BE KEPT IN MIND. THESE WERE THAT A CF MUST BE ECONOMICALLY VIABLE, NOT BE AN AID MECHANISM, HAVE A BALANCE BETWEEN CONSUMER AND PRODUCER INTERESTS, LIMITED OFFICIAL USE
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AND HAVE A RELATIONSHIP BETWEEN FINANCIAL CONTRIBUTIONS AND VOTING RIGHTS.

6. G-77 (JAMAICA, INDONESIA, VENEZUELA) SAID THAT GROUP B WAS ACTING IN BAD FAITH BY SUGGESTING THE PREPARATORY MEETING EXPLORE OPTIONS. THE MINISTERS OF ALL COUNTRIES AT NAIROBI INCLUDING THOSE OF GROUP B, IN AGREEING TO NEGOTIATIONS IN MARCH, 1977 ON "A COMMON FUND" KNEW CLEARLY WHAT CONCEPT OF A CF WAS TO BE NEGOTIATED.

ALTERNATIVE NOTIONS SUCH AS THE FRENCH (FOURCADE) PROPOSAL ON POOLING HAD BEEN DISCUSSED AND REJECTED. UNDER THESE CIRCUMSTANCES IT WOULD BE BACKTRACKING TO HAVE THE UNCTAD SECRETARIAT PREPARE STUDIES ON OPTIONS TO ITS OWN PROPOSAL.

7. FOLLOWING PLENARY, DECEMBER 3, GROUP B HELD INTERNAL DISCUSSIONS ON PREPARATIONS FOR JANUARY PREPARATORY MEETING IN LIGHT OF REFUSAL OF G-77 TO PERMIT SECRETARIAT TO PREPARE WORK ON OPTIONS. CANADA, U.S. AND AUSTRALIA STRONGLY OBJECTED IN PRINCIPLE TO VETO OF G-77, BUT MAJORITY IN GROUP B NOT INCLUDED TO PRESS ISSUE. BARRASS URGED IN LIEU OF SECRETARIAT STUDIES DEVELOPMENT OF COMMON GROUP B APPROACH ON ALTERNATIVES TO PROVIDE BASIS FOR ITS WORK AT THE JANUARY MEETING. BARASS THEN SAID HE INTENDED ON HIS OWN INITIATIVE, WITH HELP FROM THE OECD SECRETARIAT, TO DRAFT A PAPER ON CF OPTIONS TO BE CONSIDERED BY GROUP B PRIOR TO THE JANUARY PREPARATORY MEETING.

8. CUTTAT (SWITZERLAND) SUGGESTED ALTERNATIVE APPROACH MIGHT BE TO HAVE A SMALL NUMBER OF GROUP B REPRESENTATIVES, ON A NON-OFFICIAL BASIS, BEGIN TO DRAFT WHAT MIGHT EVENTUALLY BE A SET OF COMMON FUND ARTICLES OF AGREEMENT WHICH IN THE END COULD BE ACCEPTABLE TO MANY IN GROUP B. MOST MEMBERS WERE SILENT ON CUTTAT PROPOSAL, BUT NETHERLANDS REP (KLINKENBERG) SAID SETTLEMENT OF HIGHLY THORNY PROBLEM OF GENERALIZED SPECIAL PREFERENCES A FEW YEARS AGO THROUGH DEVICE OF "THREE WISEMEN" WORKING ON A TOTALLY UNOFFICIAL BASIS INITIALLY HAD CONSIDERABLE ATTRACTIONS.

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9. COMMENT: THE MAJOR IMPRESSION TO BE DRAWN FROM THIS FIRST PREPARATORY MEETING ON A COMMON FUND IS THAT PROSPECTS SEEM MORE REMOTE THAN EVER FOR A SERIOUS APPRAISAL OF THE ISSUES OF A COMMON FUND. AND YET THE PROSPECT IS EQUALLY THAT THE NEGOTIATIONS WILL BEGIN IN MARCH, AND THAT SOME KIND OF A FUND MAY BE EVENTUALLY ESTABLISHED, WITH OR WITHOUT THE PARTICIPATION OF ALL COUNTRIES. THE VIEW OF MOST PARTICIPANTS--OPPONENTS, PROPONENTS AND FENCESITTERS--IS THAT ESTABLISHMENT OF THE FUND IS ESSENTIALLY A POLITICAL ISSUE TO BE RESOLVED AS A MAJOR ELEMENT IN NORTH/SOUTH RELATIONS, AND THAT POLITICS IN THE END WILL DICTATE THE ESTABLISHMENT OF A FUND. OBVIOUSLY THIS WILL NOT TAKE PLACE WITHIN THE MARCH NEGOTIATIONS SPECIFIED IN UNCTAD RESOLUTION 93 (IV), WHICH ARE ADMITTED BY ALL TO BE THE BEGINNING AND NOT THE END OF THIS PROCESS.

10. WHILE GENERAL G-77 TONE AT MEETING WAS BUSINESSLIKE THEY CLEARLY SHOWED IN THIS MEETING--MOST BLATANTLY BY VETO OF THE REQUEST OF DEVELOPED COUNTRIES THAT THE UNCTAD SECRETARIAT PRESENT A REPORT ON ALTERNATIVES TO THE G-77 PROPOSAL FOR A FUND--THAT THEY REFUSE TO CONSIDER ALTERNATIVES TO THEIR OWN VERSION OF A FUND AS THE PRINCIPLE SOURCE OF FINANCE FOR BUFFER STOCKS. THEY ALSO REJECT, OF COURSE, CONSIDERATION WITHIN THE COMMON

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FUND DISCUSSIONS OF ALTERNATIVE APPROACHES TO COMMODITY PROBLEMS OTHER THAN AS SUPPLEMENTARY TO A COMMON FUND FOR BUFFER STOCK FINANCING, BASING THEMSELVES ON THE "COMMITMENT" TO A COMMON FUND UNDERTAKEN BY GOVERNMENTS IN THEIR AGREEMENT TO NEGOTIATIONS ON A FUND IN RESOLUTION 93(IV) AT NAIROBI.

11. IT IS NOTEWORTHY THAT THE G-77 HAS MANAGED TO HOLD TOGETHER QUITE WELL IN THEIR INITIAL PRESENTATIONS. THIS HAS BEEN ACCOMPLISHED BY CONTINUED INSISTENCE ON AGREEMENT ON GENERAL PRINCIPLES AND LARGER ISSUES BEFORE AGREEING TO DISCUSS DETAILS. THIS STRATEGY WILL UNDOUBTEDLY BE CONTINUED IN FUTURE PREPARATORY MEETINGS AND THE BEGINNING OF THE MARCH NEGOTIATIONS SINCE IT IS POSSIBLY THE ONLY BASIS ON WHICH THE GROUP CAN MAINTAIN UNITY.

12. BY CONTRAST THE DEVELOPED COUNTRIES, ALMOST ALL OF WHICH MADE CLEAR THEY WERE PARTICIPATING IN THE DISCUSSIONS

WITHOUT ANY COMMITMENT, ARE BADLY SPLIT IN THEIR POSITION ON THE G-77 PROPOSAL. SOME WITHIN THE GROUP ACTUALLY SUPPORT IT IN PRINCIPLE (SCANDINAVIANS, DUTCH) OTHER ADVOCATE A COMMON FUND AS A POOL OF FINANCE (FRANCE), AND OTHERS HAVE STILL FURTHER VARIANTS OR HAVE NO FIRM POSITION. THE U.S. POSITION OF PASSIVE OPPOSITION HAS LITTLE SUPPORT AMONG OTHER DEVELOPED COUNTRIES.

13. A CRITICAL QUESTION FOR THE U.S. IN THE NEXT FEW MONTHS BEFORE THE FUND NEGOTIATIONS BEGIN WILL BE THE DEGREE OF COORDINATION IT WISHES TO UNDERTAKE WITH OTHER DEVELOPED COUNTRIES. THIS WILL IN LARGE PART BE DETERMINED BY THE FINAL U.S. ATTITUDE ON THE FUND NEGOTIATIONS, SINCE THE BOTTOM LINE OF A COMMON DEVELOPED COUNTRY POSITION WOULD SEEM TO BE PARTICIPATION IN THESE NEGOTIATIONS AND ABANDONMENT OF ANY INSISTENCE THAT CASE-BY-CASE DECISIONS ON BUFFER STOCKS MUST PRECEDE DECISIONS ON A COMMON FUND. OUR VIEW IS THAT IF COORDINATION IS UNDERTAKEN, IT SHOULD NOT IN THE FIRST INSTANCE BE THROUGH BROAD DEVELOPED COUNTRY FORUMS SUCH AS GROUP B HERE IN GENEVA OR THE OECD IN PARIS, BUT LIMITED TO A FEW KEY DEVELOPED COUNTRIES (I.E., US, UK, GERMANY, FRANCE, JAPAN). CONSULTATIONS WITH THESE COUNTRIES WILL LIMITED OFFICIAL USE
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PROBABLY IN ANY CASE BE REQUIRED EVEN IF THE U.S. MAINTAINS ITS CURRENT POSITION, TO EMPHASIZE OUR RATIONALE AND THE SERIOUSNESS AND FIRMNESS OF OUR INTENTIONS. WIDER DEVELOPED COUNTRY COORDINATION COULD THEN FOLLOW.CATTO

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